



ARTICLE

A snapshot of COVID-19 related unemployment in South Africa

COVID-19 and the consequent economic effects have meant significant job losses for the people of South Africa. Many families have been affected, and our future generation (the youth) are affected both immediately and in the long run. The impact of COVID-19 on access to education has been significant and disproportionately affected learners in poorer households. This immediate effect will have long-term consequences, which, coupled with the direct employment effects of COVID-19, are concerning.



Our starting point in terms of employment, income, poverty, inequality and related metrics was weak. These features of our economy are interdependent.

INTRODUCTION

Statistics South Africa (StatsSA) published results from the Quarterly Labour Force Survey (QLFS) for the second quarter of 2020 (QLFS 2020 Q2) which largely capture the employment during the most stringent period of lockdown in South Africa. In addition, the National Income Dynamics Study's Coronavirus Rapid Mobile Survey (CRAM)¹ launched Wave 2 of its study focusing on the socioeconomic impact of COVID-19. These datasets provide important information on the state of employment and welfare in South Africa as we navigate the global pandemic.

In this short article, we provide a snapshot of some of the metrics that we as economists frequently work with, set out systematically to explain the background to South Africa's socioeconomic context, and where we are now or soon likely to be as a result of the COVID-19 downturn.

¹ Coronavirus Rapid Mobile Survey - <https://cramsurvey.org/>

OUR OBJECTIVE

Our objective is to sketch the context in which the employment and socioeconomic impact of the pandemic will play out in the South African labour market, rather than to comment on unemployment as a long-term feature of the economy.

OUR ROLE

We collate information from various sources to assess South Africa’s employment situation in 2020. We show that the reality facing workers in the South African labour market is dire. A long history of inequality in access to education and employment opportunities means that the likelihood of long-term unemployment is high.

South Africa has a long (and unfortunate) history of structural unemployment, with a skills mismatch and discouraged workers who have no prospect of obtaining a formal job.

The relationship between chronic unemployment, inequality, poverty, health and ultimately, mortality has devastating implications for South Africa’s socioeconomic and developmental reality. It is against this backdrop that government and policy makers must forge a pathway to economic recovery. The message is clear:

“Each and every policy action taken now and in future must consider its effect on employment, poverty and inequality. This was crucial before the global pandemic. It becomes non-negotiable going forward.”

WHERE WERE WE BEFORE COVID-19 AND WHERE ARE WE NOW?

South Africa’s (narrowly defined) unemployment rate has been on the increase (getting worse) for some time, trending consistently upward from around 22-23% in 2008/9 to over 30% in Q1 2020.

The latest QLFS Q2 results by Statistics South Africa show that narrow unemployment is now again at 23%. But this is not good news. A bit context underlying this metric makes this clear.

More specifically, the unemployment rate is the proportion of the labour force who are **unemployed, and actively seeking work**. Including those who are categorized as **discouraged work seekers** (i.e. the expanded definition of unemployment) increases the number of unemployed.

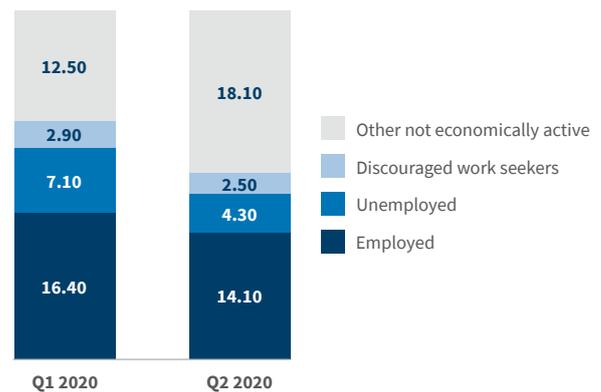
Discouraged work seekers are **people of working age who do not have work and are available for work, but are not actively looking for work due to lack of available jobs, inability to find work requiring their skills, or because they have lost hope of finding any kind of work**².

In Q2 2020, unemployment according to the expanded definition had reached 42%. In addition, a large proportion of the working age population are not economically active, even beyond those who have given up seeking work.

In recent years it has been somewhat useful to track the broad and narrow unemployment rate, but there have now been major shifts in the number of people in each of the above-discussed categories, such that it is perhaps more useful to focus on these underlying numbers to better understand the situation.

These underlying numbers are shown in **Figure 1**. The two bars in these figures show the working age population in Q1 and Q2 2020, which was roughly the same at around 38.9-39 million people.

Figure 1: South Africa’s working age population, broken down by activity, Q1 vs Q2 2020 (people reported in millions)



Source: Statistics South Africa, QLFS Q2

- We then see at the lower end of the bars that employed people in South Africa declined significantly, from 16.383 million people in Q1 2020 to 14.148 million people in Q2 2020, a decline of over 2.2 million jobs.
- Interestingly, we also see that both unemployed people and discouraged work seekers decreased, although one might have expected these categories to increase.
- And importantly, we see that the number of people categorising themselves as “not economically active” increased significantly, from 12.5 million people in Q1 2020 to 18.1 million people in Q2 2020.

²Statistics South Africa; International Labour Organisation.

EMPLOYMENT LOSS ACROSS THE INCOME DISTRIBUTION

Of those shown to be employed, we also know that:

- only 71% of these jobs are in the formal sector,
- with 16% being in the informal sector,
- 7% being in private households,
- and less 6% being in agriculture.

Of the total employed population during lockdown, we know that:

- 81% continued to receive pay during lockdown,
- and of those who received pay, for about 21% it was reduced pay (with those having less education being more likely to fall into this category).

The implications of unemployment for the welfare status of people living in South Africa are important.

The COVID-19 pandemic has had a tremendous impact on the socioeconomic landscape of the country.

The National Income Dynamics Survey conducted the Coronavirus Rapid Mobile (CRAM) survey³ in order to track and analyse this socioeconomic impact.

- The first wave of the survey released in July 2020 showed the impact of lockdown (alert Level 5) on employment and earnings in South Africa.
- The second wave, tracking the same individual respondents, was released in September 2020.
- The results show that approximately 3 million people who were employed in February 2020 were either temporarily or permanently unemployed in June 2020.
- Importantly, ‘vulnerable’ groups (i.e. those at the lower end of the income distribution, workers with lower levels of education, workers in rural areas, etc.) are disproportionately affected by employment loss.

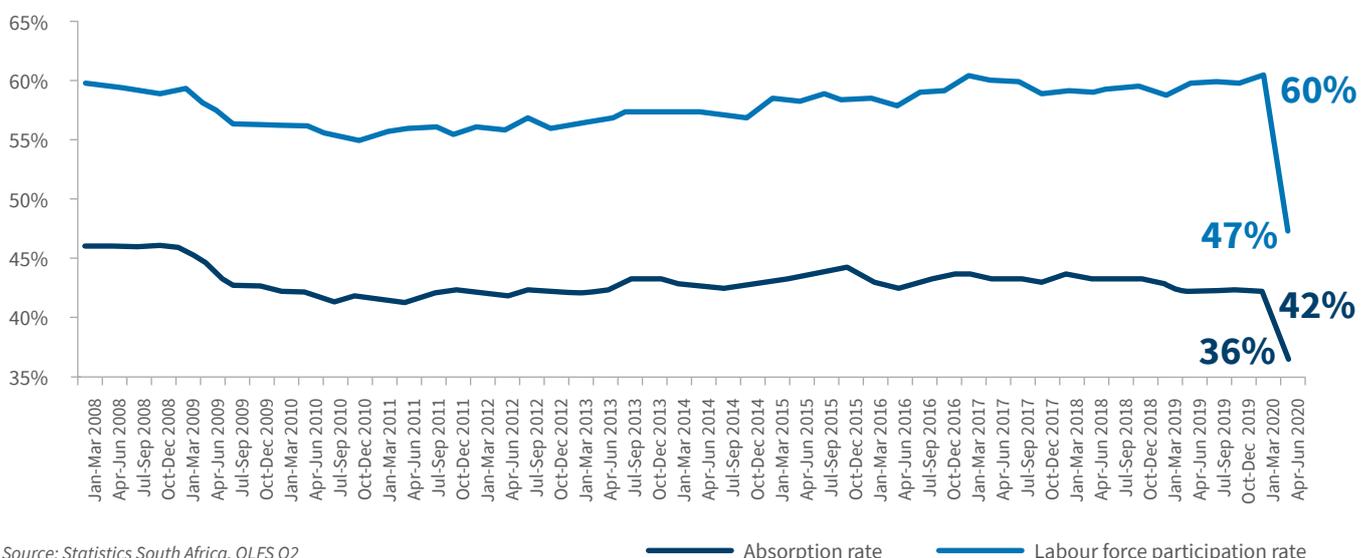
Other useful figures to look at to better understand the full picture are South Africa’s labour absorption rate and labour force participation rate, as shown in **Figure 2**.

The **labour absorption rate is the employed population as a percentage of the working age population**, and the **labour force participation rate is the employed and unemployed (but actively seeking) populations, as a percentage of the working age population**.

Both of these rates experienced a steep decline between Q1 and Q2 2020, largely due to employment and unemployment rates both dramatically declining, with these people moving out of the labour force, i.e. not working and not looking for work. The absorption rate decreased by just less than 6 percentage points, and the labour force participation rate decreased by 13 percentage points.

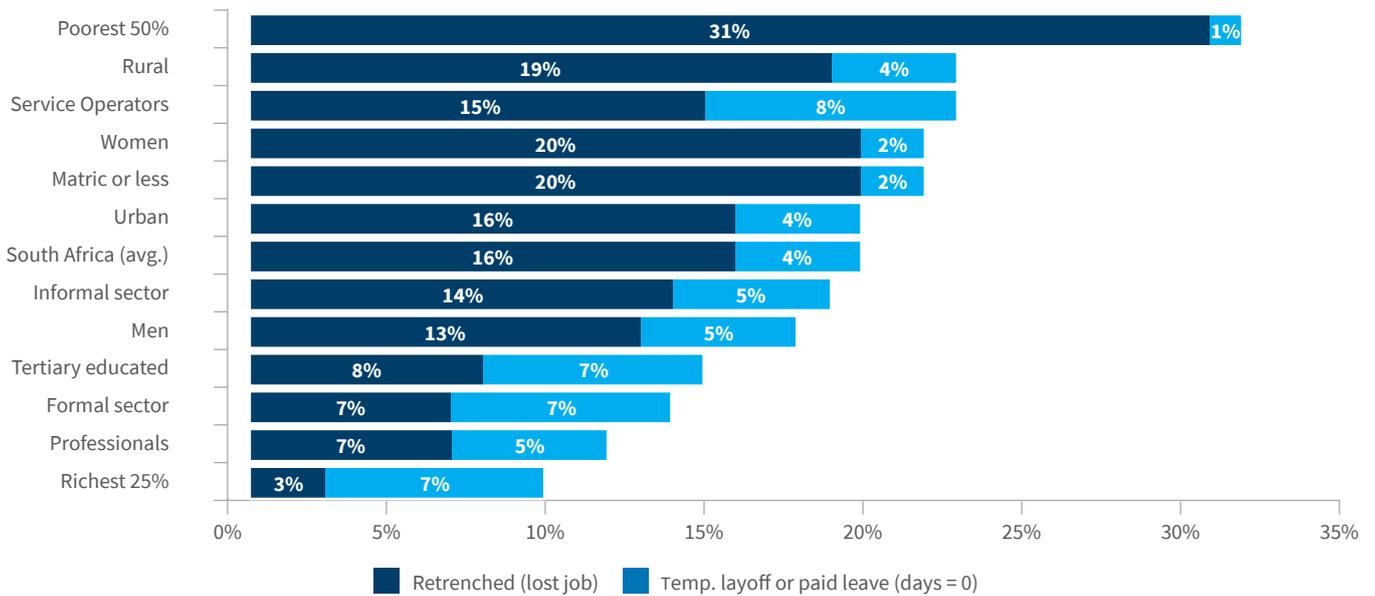
³National Income Dynamics Survey conducted the Coronavirus Rapid Mobile (CRAM) survey - <https://cramsurvey.org/>

Figure 2: South Africa’s labour absorption rate (employed/ working age population) and labour force participation rate (employed and unemployed/ working age population) Q1 2008- Q2 2020



Source: Statistics South Africa, QLFS Q2

Figure 3: Employment loss between February and June 2020



Source: Jain et al. (2020) using NIDS CRAM Wave 2

- Amongst the poorest 50% of workers, 32% of those who were employed and working for a wage in February were no longer working in June 2020.
- This is in comparison to the wealthiest 25% of workers, 10% of whom were not in active employment in June 2020. Therefore, workers from the lower end of the socioeconomic distribution were affected to a larger degree than their counterparts in the upper end of the distribution.

NIDS 2017 data show that a little over half of South Africa’s population were below the upper bound poverty line of R1,227 per person per month.

Just under half of those that were considered poor by this metric were additionally below the food poverty line (R561 per person per month, set by determination of the minimum daily energy intake)⁴.

There is a wealth of research on the inequality in the income distribution. South Africa is amongst the most unequal countries in the world.

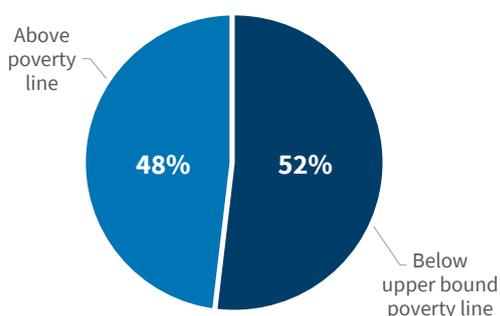
We show below that while the impact of COVID-19 on job losses affects workers across the income distribution, job losses affect workers at lower end of the socioeconomic distribution most significantly.

Coupled with the unequal impact of lockdown on education and schooling, with learners in poorer households lacking access to the resources to facilitate remote learning that are common place amongst learners in wealthier households, the impact of COVID-19 on inequality in the medium-to-long term will be significant.

EMPLOYMENT, INCOME AND POVERTY

While employment metrics provide high-level context, income is often a more useful measure for contextualising South Africa’s socioeconomic reality.

Figure 4: South Africa’s poverty rates



Source: NIDS 2017

⁴July 2019 values, 2020 values are awaiting publication.

THE IMPACT OF UNEMPLOYMENT ON HOUSEHOLD POVERTY

The wider impact of unemployment depends on the profile of workers and their households. In order to more clearly comprehend the full extent of job losses it is useful to consider what the affected workers and their households might look like.

- Household size and age are a first indication of likely effects. Recent estimates that consider the full population indicate that the average household in South Africa contains just over three people⁵. Other estimates suggest that this is closer to four people⁶.
- Many of these are expected to be youth. This can be assumed by looking at our population’s age distribution, from which we know that all people in South Africa:

50%

Are 26 years of age or less.

25%

Are 12 years of age or less.

75%

Are 41 years of age or less which also suggests that many households are young, with youth potentially dependent on young caregivers not mid-way through their career.

Figure 5: South Africa’s age distribution

Percentage of population	At or under this age
1%	0
5%	2
10%	4
25%	12
50%	26
75%	41
90%	57
95%	65
99%	78

Source: NIDS Wave 5

Given the context of the employed population relative to the overall population (28% of the population being employed), as well as this age distribution and household size, it is likely that 1-3 people are to some degree (partially or fully), dependent on every worker.

Education is also informative of possible effects around job losses. This is because it provides one possible view on how likely it is that a person can get another job after losing one.

The 2018 General Household Survey indicates that the percentage of people aged 20 years and older with no education at all or less than Grade 7 (often considered as those who are likely to be functionally illiterate) stood at 13% in 2018.

Figure 6: South Africa’s basic education statistics

Age category	Percentage of age category with no formal education or less than Grade 7
20+	13%
20-39	4.4%
40-59	17.2%
60+	40.1%

Source: GHS 2018

Whilst education levels have improved over time (despite significant differences in the quality of education across the income distribution), the fact that there is still a portion of our population with limited education indicates that finding another job after a possible retrenchment is not *per se* a given.

⁵NIDS 2017.

⁶IES 2011 (3.85 people per household).

WHAT DOES THE FUTURE HOLD?

The economic impact of COVID-19 in South Africa has been severe.

Q2 2020, GDP contracted 17.1% relative to Q2 2019.

Those worst affected by the economic decline have been those with the most tenuous links to the labour market.

These are also the workers who will find it most difficult to secure employment following retrenchment.

This has important implications for the socioeconomic reality of South Africa, and for the level inequality in the country.

“We have long road to recovery; it will be crucial to ensure that as many people as possible make the journey.”

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